

**Agency Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	47.00	(2.34)	2.00	46.66	(2.34)	2.00	46.66	46.66
Personal Services	2,091,891	134,580	164,001	2,390,472	135,005	272,909	2,499,805	4,890,277
Operating Expenses	2,253,689	851,113	270,000	3,374,802	808,807	70,000	3,132,496	6,507,298
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	15,130,854	4,123,845	460,247	19,714,946	2,703,068	460,507	18,294,429	38,009,375
Benefits & Claims	210,496	264,504	0	475,000	264,504	0	475,000	950,000
<b>Total Costs</b>	<b>\$19,686,930</b>	<b>\$5,374,042</b>	<b>\$894,248</b>	<b>\$25,955,220</b>	<b>\$3,911,384</b>	<b>\$803,416</b>	<b>\$24,401,730</b>	<b>\$50,356,950</b>
General Fund	1,565,311	1,860,216	539,260	3,964,787	1,859,598	600,431	4,025,340	7,990,127
State/Other Special	1,622,888	1,914,886	138,786	3,676,560	220,921	160,921	2,004,730	5,681,290
Federal Special	16,498,731	1,598,940	216,202	18,313,873	1,830,865	42,064	18,371,660	36,685,533
<b>Total Funds</b>	<b>\$19,686,930</b>	<b>\$5,374,042</b>	<b>\$894,248</b>	<b>\$25,955,220</b>	<b>\$3,911,384</b>	<b>\$803,416</b>	<b>\$24,401,730</b>	<b>\$50,356,950</b>

**Agency Description**

The Department of Commerce is responsible for working with economic and community development organizations, businesses, communities, governmental entities, elected officials, and the public to diversify and expand the state's economic base through business creation, expansion, and retention and improvement of Montana's infrastructure, housing, and facilities. The department is composed of eight major divisions, which include the Business Resources, Montana Promotion, Community Development, Housing, and Director's Office/Management Services divisions, as well as the Board of Research and Commercialization Technology, the Montana Facility Finance Authority, the Montana Board of Investments, and the Montana Heritage Commission.

**Agency Highlights**

Department of Commerce Major Budget Highlights	
Total funding increases of \$11.0 million or 27 percent over the FY 2004 base year are due to the following:	
♦	Statewide and other present law adjustments of \$9.3 million include: <ul style="list-style-type: none"> <li>• Grant increases and administrative cost adjustments (\$4.4 million)</li> <li>• Transferring of the Worker Training Program from the Governors' office of Economic Opportunity (\$2.8 million)</li> <li>• Expanding the Made in Montana Program (\$800,000)</li> <li>• Increases in private donations for national advertising and promotion of Travel Montana (\$584,110)</li> <li>• Statewide present law adjustments (\$498,258)</li> <li>• Realigning the Developmental Disabilities Planning and Advisory Council (\$134,755)</li> </ul>
♦	New proposals of \$1.7 million include: <ul style="list-style-type: none"> <li>• \$1.0 million for Indian Country Economic Development Program</li> <li>• \$250,000 to implement the Main Street Program</li> <li>• \$247,644 to implement HB 447 statewide pay plan</li> <li>• \$200,000 for small business innovation research grants</li> </ul>

### Summary of Legislative Action

Economic development and expanding the economy in the state of Montana was the primary driving force for funding increases in the 2007 biennium budget approved by the legislature. Of the \$11.0 million in increases over the 2004 base expenditures, general fund comprises 44 percent or \$4.9 million of the increase and state special accounts for \$2.4 million or 22 percent of the overall increases, leaving federal special revenue with an increase of 34 percent or \$3.7 million over the biennium.

The \$4.9 million increase in general fund is primarily due to the Worker Training Program being transferred from the Governors' Office of Economic Opportunity to the Department of Commerce and switching the funding source from the INTERCAP loan program to a general fund appropriation of \$2.8 million over the biennium, which will implement HB 270. The other two major increases in general fund were comprised of expanding funding for the Made in Montana Program of \$800,000 and the new Indian Economic Development Program of \$1.0 million.

The additional appropriation for state special revenue consisted mainly of restoring the base for the coal board grants from the coal severance tax shared account of \$1.0 million for the biennium. The remaining increases are primarily due to administrative cost adjustments across the agency.

Federal special revenue increases consisted mainly of increases in CBDG grants of \$3.0 million over the biennium.

For further discussion of economic development adopted by the 2005 legislature see Volume 1 of the Legislative Fiscal Report for the 2007 biennium.

### Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Total Agency Funding 2007 Biennium Legislative Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
51 Business Resources Division	\$ 7,528,784	\$ 719,981	\$ 7,819,383	\$ 16,068,148	31.91%
52 Montana Promotion Division	-	1,519,386	-	1,519,386	3.02%
60 Community Development Division	461,343	3,441,923	15,870,376	19,773,642	39.27%
74 Housing Division	-	-	12,043,527	12,043,527	23.92%
81 Director/Management Services	-	-	952,247	952,247	1.89%
Grand Total	<u>\$ 7,990,127</u>	<u>\$ 5,681,290</u>	<u>\$ 36,685,533</u>	<u>\$ 50,356,950</u>	<u>100.00%</u>

### Other Legislation

House Bill 11 – HB 11 appropriated \$16.2 million in state special revenue to the Treasure State Endowment program (TSEP) to finance infrastructure grants for 40 projects throughout the state. In addition, the legislature also appropriated state special revenue of \$100,000 for emergency grants, and \$600,000 for preliminary engineering studies.

House Bill 249 – HB 249 establishes the big sky economic development fund, a sub fund within the permanent coal severance tax trust with an initial infusion of \$20 million. Through June 30, 2025, 25 percent of the coal severance tax revenues to the permanent coal severance tax trust not required for other purposes would be deposited in the big sky economic development fund.

Interest generated from the fund will be transferred on a monthly basis to a state special revenue account that is statutorily appropriated to the Department of Commerce. After the cost of administration, 75 percent of the money must be used for grants and loans to local governments for job creation projects and the other 25 percent is for the certified regional development corporations for economic development activities.

House Bill 270 – HB 270 transferred the New Worker Training Program from the Governor’s Office of Economic Opportunity to the Department of Commerce and revised the programs funding mechanism. The legislature approved the transfer of 2.00 FTE and appropriated \$2.8 million of one-time-only (OTO) state general fund over the 2007 biennium in HB 2 for the New Worker Training Program.

House Bill 271 – HB 271, a companion bill to HB 270, provided for a FY 2005 supplemental appropriation of \$2.17 million in state general fund money for the New Worker Training Program.

House Bill 301 – HB 301 continues the sale of Lewis and Clark bicentennial specialty license plates and provides that revenue from the sale of said license plates be allocated to the Department of Commerce and the Montana Historical Society as the successors to the Lewis and Clark Bicentennial Commission. Beginning January 1, 2007, the Department of Commerce and the Montana Historical Society will use the money deposited in the special revenue accounts to support projects related to Lewis and Clark activities. The license plate revenue is statutorily appropriated 75 percent to the Department of Commerce and 25 percent to the Montana Historical Society.

House Bill 423 – HB 423 provides for a \$500,000 biennial general fund appropriation to establish the Great Plains Dinosaur Park in Malta, Montana.

House Bill 481 – HB 481 establishes a Main Street program in the Department of Commerce to be developed in conjunction with the National Trust for Historic Preservation. The purpose of the program is to assist communities in restoring and retaining the historic character of their downtown areas and historic commercial districts. The legislature appropriated \$250,000 of one-time-only state special revenue over the biennium from the highway non-restricted account.

House Bill 482 – HB 482 increases the amount of coal severance tax revenues flowing into the coal tax shared account from 7.75 percent to 8.36 percent. The legislature approved \$140,259 in state special revenue funding for the Coal Board in a biennial grants appropriation to implement the provisions of HB 482.

House Bill 584 – HB 584 establishes the Big Sky on the Big Screen Act. HB 584 requires production companies to apply to the Department of Commerce for state certification of a production in order to qualify for the tax credits enumerated in the bill. The application fees established in the bill are deposited in a state special revenue account and statutorily appropriated in an equal amount to the Department of Commerce and the Department of Revenue.

House Bill 713 – HB 713 appropriated \$100,000 in general fund to create a task force to conduct a mission assessment for military and national guard installations in Montana and to promote the establishment of new installations and expanded missions in the state. Any funds not expended specifically for the purposes of this bill will revert to the general fund.

Senate Bill 133 – SB 133 establishes the Montana Equity Capital Investment Act to provide investment incentives to nourish creation of a private seed and venture capital industry to fund academic, technological, and innovative companies by creating a Montana Equity Fund and Montana Equity Capital Investment Board. The bill also authorizes the issuance of tax credits to investors in the Montana Equity Fund and requires the board to charge an annual fee to the designated investor group for administration of the Act. The board, which consists of five voting members, is administratively attached to the Department of Commerce. The legislature provided no FTE or appropriation to implement the program in SB 133.

**Executive Budget Comparison**

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	47.00	46.66	46.66	0.00	46.66	46.66	0.00	
Personal Services	2,091,891	2,317,579	2,390,472	72,893	2,317,754	2,499,805	182,051	254,944
Operating Expenses	2,253,689	3,274,802	3,374,802	100,000	3,232,496	3,132,496	(100,000)	0
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	15,130,854	21,455,215	19,714,946	(1,740,269)	20,377,064	18,294,429	(2,082,635)	(3,822,904)
Benefits & Claims	210,496	475,000	475,000	0	475,000	475,000	0	0
<b>Total Costs</b>	<b>\$19,686,930</b>	<b>\$27,522,596</b>	<b>\$25,955,220</b>	<b>(\$1,567,376)</b>	<b>\$26,402,314</b>	<b>\$24,401,730</b>	<b>(\$2,000,584)</b>	<b>(\$3,567,960)</b>
General Fund	1,565,311	4,625,527	3,964,787	(660,740)	4,624,909	4,025,340	(599,569)	(1,260,309)
State/Other Special	1,622,888	4,799,398	3,676,560	(1,122,838)	3,447,809	2,004,730	(1,443,079)	(2,565,917)
Federal Special	16,498,731	18,097,671	18,313,873	216,202	18,329,596	18,371,660	42,064	258,266
<b>Total Funds</b>	<b>\$19,686,930</b>	<b>\$27,522,596</b>	<b>\$25,955,220</b>	<b>(\$1,567,376)</b>	<b>\$26,402,314</b>	<b>\$24,401,730</b>	<b>(\$2,000,584)</b>	<b>(\$3,567,960)</b>

The legislative budget is \$3.6 million or 14 percent less than the executive budget proposal, with general fund reduced by \$1.2 million, state special revenue lower by \$2.5 million, and federal special revenue higher by \$258,266 over the biennium. The primary differences between the legislative and executive budget are the following:

The reduction in general fund of \$1.2 million is the culmination of several reductions in the Worker-Training program by \$1.2 million and the Made-in-Montana Program by \$200,000. These decreases were offset by an increase of \$139,691 for the statewide pay plan.

State special revenue reductions of \$2.5 million are the net of several adjustments. The legislature added \$140,259 to the Coal Board from the coal severance tax shared account and \$49,707 to implement HB 447, the statewide pay plan; The executive included funds for the creation of the new Big Sky Economic Development Trust fund created from the coal tax trust fund for economic development in Montana in HB 2. The legislature passed HB 249, which establishes a statutory appropriation of state special revenue over the biennium of \$2.8 million, making the requested HB 2 appropriation unnecessary.

Federal special revenue is increased by \$200,000 for small business innovation research grants for information sharing and \$58,266 for implementation of HB 447.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	26.50	(0.34)	2.00	28.16	(0.34)	2.00	28.16	28.16
Personal Services	1,126,589	189,332	136,611	1,452,532	189,775	201,798	1,518,162	2,970,694
Operating Expenses	1,115,614	493,380	270,000	1,878,994	484,998	70,000	1,670,612	3,549,606
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	2,856,896	1,456,651	460,247	4,773,794	1,456,651	460,507	4,774,054	9,547,848
<b>Total Costs</b>	<b>\$5,099,099</b>	<b>\$2,139,363</b>	<b>\$866,858</b>	<b>\$8,105,320</b>	<b>\$2,131,424</b>	<b>\$732,305</b>	<b>\$7,962,828</b>	<b>\$16,068,148</b>
General Fund	1,363,945	1,841,582	533,274	3,738,801	1,840,964	585,074	3,789,983	7,528,784
State/Other Special	182,270	48,919	127,162	358,351	48,760	130,600	361,630	719,981
Federal Special	3,552,884	248,862	206,422	4,008,168	241,700	16,631	3,811,215	7,819,383
<b>Total Funds</b>	<b>\$5,099,099</b>	<b>\$2,139,363</b>	<b>\$866,858</b>	<b>\$8,105,320</b>	<b>\$2,131,424</b>	<b>\$732,305</b>	<b>\$7,962,828</b>	<b>\$16,068,148</b>

**Program Description**

The Business Resources Division is comprised of a variety of programs aimed at improving, enhancing, and diversifying Montana's economic and business climate. Working closely with the private sector, the legislature, economic and community development partners, other department divisions, state agencies, and federal and private programs; the division strives to enhance the economic base of Montana through business creation, expansion, and retention efforts.

Bureaus within the division include:

- Regional Development Bureau
- Trade and International Relations Bureau
- Community Development Block Grant (CDBG) Program
- Census and Economic Information Center (CEIC)
- Small Business Development Centers
- Made In Montana Program

**Program Highlights**

Business Resources Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>◆ General fund increases by \$4.8 million over the base budget are due to: <ul style="list-style-type: none"> <li>• Transfer of the Worker Training Program from the Governors' Office of Economic Opportunity (\$2.8 million)</li> <li>• \$800,000 for enhancing the Made in Montana Program</li> <li>• \$1.0 million for the new Indian Country Economic Development</li> <li>• Statewide present law adjustments and pay plan</li> </ul> </li> <li>◆ State special revenue increases by \$355,441 over the base budget is primarily due to: <ul style="list-style-type: none"> <li>• HB 481 which establishes the new Main Street Program (\$200,000)</li> <li>• Statewide present law adjustments and pay plan</li> </ul> </li> <li>◆ Federal special revenue increases by \$713,615 over the base budget mostly due to: <ul style="list-style-type: none"> <li>• Increases in CBDG grants and small business innovation research grants (\$513,302)</li> <li>• Statewide present law adjustments and pay plan</li> </ul> </li> </ul>	

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium

		Program Funding Table Business Resources Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 1,363,945	26.7%	\$ 3,738,801	46.1%	\$ 3,789,983	47.6%
	01100 General Fund	1,363,945	26.7%	3,738,801	46.1%	3,789,983	47.6%
02000	Total State Special Funds	182,270	3.6%	358,351	4.4%	361,630	4.5%
	02090 Business Asst-Private	26,333	0.5%	51,333	0.6%	51,333	0.6%
	02191 Montana Capitol Co. Act	5,427	0.1%	5,427	0.1%	5,427	0.1%
	02210 Microbusiness Admin Acct	80,510	1.6%	106,591	1.3%	109,870	1.4%
	02349 Highway Non-Restricted Account	-	-	125,000	1.5%	125,000	1.6%
	02563 Nat'L Dev. Cncl Training Funds	70,000	1.4%	70,000	0.9%	70,000	0.9%
03000	Total Federal Special Funds	3,552,884	69.7%	4,008,168	49.5%	3,811,215	47.9%
	03059 Community Development Block	2,873,654	56.4%	3,172,339	39.1%	3,170,045	39.8%
	03061 Eda Revolving Loan Fund	18,393	0.4%	19,288	0.2%	19,252	0.2%
	03075 Sba Microloan	77,748	1.5%	81,533	1.0%	81,379	1.0%
	03207 Small Business Dev. Centers	506,089	9.9%	535,008	6.6%	540,539	6.8%
	03339 Forest Service Program	-	-	200,000	2.5%	-	-
	03957 Wia Labor Training	77,000	1.5%	-	-	-	-
Grand Total		<u>\$ 5,099,099</u>	<u>100.0%</u>	<u>\$ 8,105,320</u>	<u>100.0%</u>	<u>\$ 7,962,828</u>	<u>100.0%</u>

The Business Resources Division is funded by a combination of 46 percent general fund, 3 percent state special revenue funds, and 51 percent federal special revenue.

General fund supports the following programs:

- Census and Economic Information Center (CEIC)
- The Regional Development Bureau
- A portion of trade and international relations activities
- State match on federal funds for the administrative costs of the community development block grants and Small Business Development Centers
- The Made in Montana Program
- Worker Training Program
- Indian Country Economic Development

State special revenue funds the following:

- Administrative expenses of the Micro-Business Loan Program through the interest from loans to micro-business development corporations made from the permanent coal tax trust
- A portion of trade and international relations activities through conference fees and the sale of trade directories, and a grant from the Growth Through Agriculture program of \$90,000 each year
- A portion of Small Business Development Centers through private industry partnering
- The Main Street Program from the highway non-restricted account in the Department of Transportation

Federal funds support most expenditures of the Small Business Development Centers and community development block grants.

Trade and international relations activities also receive funding from the Montana Promotion Division allocation of lodging facility use tax, amounting to approximately \$100,000 annually. Since lodging facility use tax revenues are statutorily appropriated, this amount does not require legislative appropriation in HB 2 and as such does not appear in the funding tables.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					310,453					310,600
Vacancy Savings					(57,483)					(57,487)
Inflation/Deflation					(707)					(690)
Fixed Costs					(12,719)					(22,708)
Total Statewide Present Law Adjustments					\$239,544					\$229,715
DP 111 - New Worker Training Program-OTO										
	2.00	1,400,000	0	0	1,400,000	2.00	1,400,000	0	0	1,400,000
DP 444 - Enhance the Made in Montana Program										
	1.00	300,000	0	0	300,000	1.00	300,000	0	0	300,000
DP 555 - Made in Montana (Restricted/OTO)										
	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 5101 - BRD FTE Reallocation HB0002										
	(3.00)	(150,459)	0	0	(150,459)	(3.00)	(150,043)	0	0	(150,043)
DP 5104 - BRD Federal Grants Adjustment HB0002										
	0.00	0	0	156,651	156,651	0.00	0	0	156,651	156,651
DP 5111 - BRD Administrative Costs Adjustments HB0002										
	0.00	62,611	45,000	0	107,611	0.00	64,076	45,000	0	109,076
DP 5126 - BRD Statewide FTE Reduction HB0002										
	(0.34)	(13,984)	0	0	(13,984)	(0.34)	(13,975)	0	0	(13,975)
Total Other Present Law Adjustments										
	(0.34)	\$1,698,168	\$45,000	\$156,651	\$1,899,819	(0.34)	\$1,700,058	\$45,000	\$156,651	\$1,901,709
Grand Total All Present Law Adjustments					\$2,139,363					\$2,131,424

DP 111 - New Worker Training Program-OTO - The legislature approved the transfer of the Worker Training Program from the Governor's Office of Economic Opportunity to the Department of Commerce. The Worker Training Program was enacted under HB 564 and passed by the 2003 Legislature. The legislature eliminated the use of the INTERCAP loan program and provided funding through a direct general fund appropriation.

DP 444 - Enhance the Made in Montana Program - The legislature continued the Made in Montana Program in the 2007 biennium by adding 1.0 FTE and \$600,000 of general fund.

DP 555 - Made in Montana (Restricted/OTO) - The legislature moved \$200,000 of general fund appropriation from the Worker Training Program to the Made in Montana Program to enhance and expand the program.

DP 5101 - BRD FTE Reallocation HB0002 - In the 2003 legislative session, \$150,000 in HB 2 general fund each year was removed from the Business Resources Division in order to achieve the budget reductions made by the legislature by transferring funding for three positions to a statutory appropriation. Since these positions were still in the base, they were funded through present law adjustments in the 2007 biennium. The legislature eliminated these positions from the adjusted base. The net general fund impact over the 2007 biennium is zero.

DP 5104 - BRD Federal Grants Adjustment HB0002 - The legislature approved federal special revenue authority for Community Development Block Grant Program (CDBG) increases. CDBG economic development funds are projected to increase during the 2007 biennium to an estimated \$2.5 million per year.

DP 5111 - BRD Administrative Costs Adjustments HB0002 - The legislature approved an increase in general fund and state special revenue for the following:

- o Carry forward of base year expenditures for overtime of \$2,794 per year

- Restoration of per diem of \$2,457 per year
- Increases in consulting and professional services of \$45,000 per year for the following: 1) Made-In-Montana Trade Show; 2) Women in Business conference; and 3) Micro-Business Development Corporation training
- Increase in travel for the Economic Development Advisory Council of \$3,803 per year
- Increase in building rent of \$2,070 in FY 2006 and \$4,067 in FY 2007
- Increased expenditures for agency indirect charges of \$51,000 per year

DP 5126 - BRD Statewide FTE Reduction HB0002 - The legislature approved a reduction of general fund each year to eliminate 0.34 FTE from the division to make permanent a personal services reduction made by the 2003 legislature.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - BRD Federal Grant Increases SBIR-OTO										
51	0.00	0	0	200,000	200,000	0.00	0	0	0	0
DP 2 - Main Street Program										
51	1.00	0	125,000	0	125,000	1.00	0	125,000	0	125,000
DP 223 - Indian Country Economic Development-OTO										
51	1.00	500,000	0	0	500,000	1.00	500,000	0	0	500,000
DP 6010 - 2007 Biennium Pay Plan - HB 447										
51	0.00	33,274	2,162	6,422	41,858	0.00	85,074	5,600	16,631	107,305
<b>Total</b>	<b>2.00</b>	<b>\$533,274</b>	<b>\$127,162</b>	<b>\$206,422</b>	<b>\$866,858</b>	<b>2.00</b>	<b>\$585,074</b>	<b>\$130,600</b>	<b>\$16,631</b>	<b>\$732,305</b>

DP 1 - BRD Federal Grant Increases SBIR-OTO - The legislature approved additional federal special revenue for small business innovation research grants for information sharing.

DP 2 - Main Street Program - The legislature added funding for the Main Street Program from the highway non-restricted account from the Department of Transportation.

DP 223 - Indian Country Economic Development-OTO - The legislature approved a new program that promotes economic development opportunities on the seven different Indian reservations located throughout Montana. Funding would be provided by a general fund appropriation of \$500,000 each year of the biennium

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

### Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*, however his authority to do so is questioned and may be challenged through legal action

*"The department shall present a written report every 6 months beginning December 1, 2005, to the economic affairs interim committee on the status of grants and program implementation of the worker training program and the Indian country economic development program."*



**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	476,286	293,100	0	769,386	273,714	0	750,000	1,519,386
<b>Total Costs</b>	<b>\$476,286</b>	<b>\$293,100</b>	<b>\$0</b>	<b>\$769,386</b>	<b>\$273,714</b>	<b>\$0</b>	<b>\$750,000</b>	<b>\$1,519,386</b>
State/Other Special	476,286	293,100	0	769,386	273,714	0	750,000	1,519,386
<b>Total Funds</b>	<b>\$476,286</b>	<b>\$293,100</b>	<b>\$0</b>	<b>\$769,386</b>	<b>\$273,714</b>	<b>\$0</b>	<b>\$750,000</b>	<b>\$1,519,386</b>

**Program Description**

The Montana Promotion Division strives to increase visitor travel, visitor expenditures, and film production in the state. The division works to project a positive image of the state through consumer advertising, electronic marketing, publicity, international and domestic group travel marketing, printing and distribution of literature, and marketing to motion picture and television production companies. The division provides training and assistance to the Montana tourism industry, administers, and distributes infrastructure grants and oversees expenditures of six regional non-profit corporations and the ten qualified convention and visitor's bureaus.

**Program Highlights**

Montana Promotion Division Major Budget Highlights	
♦	Funding increases are for additional spending authority to expend private donations for national advertising and promotion of Travel Montana

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Montana Promotion Divisi					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 476,286	100.0%	\$ 769,386	100.0%	\$ 750,000	100.0%
	02116 Accommodation Tax Account	18,341	3.9%	19,386	2.5%	-	-
	02154 Mt Promotion-Private	457,945	96.1%	750,000	97.5%	750,000	100.0%
Grand Total		<u>\$ 476,286</u>	<u>100.0%</u>	<u>\$ 769,386</u>	<u>100.0%</u>	<u>\$ 750,000</u>	<u>100.0%</u>

The Montana Promotion Division is funded primarily by state special revenues, derived from 67.5 percent of the 4 percent Montana Lodging Facility Use Tax "remaining after statutory deductions". The portion of the bed tax appropriated in HB 2 and shown in the table above funds numerous private organizations throughout Montana that produce and distribute cooperative advertising and joint promotional activities. This public/private partnership is funded cooperatively with the state and typically receives funding from private partners to develop and distribute targeted marketing efforts. Legislative audit costs are also funded in HB 2.

The remainder of the tax not allocated to the Department of Commerce goes to the Montana Historical Society, the University of Montana for allocation to the Institute of Tourism and Recreation Research, the Department of Revenue to cover the cost of collections, and to the Department of Fish, Wildlife, and Parks. The funds distributed to the Department of Commerce are statutorily appropriated by 15-65-121, MCA, rather than in HB 2.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Fixed Costs					1,045					(18,341)
<b>Total Statewide Present Law Adjustments</b>					<b>\$1,045</b>					<b>(\$18,341)</b>
DP 5212 - MPD Private Funds & Audit Adjustments HB0002										
	0.00	0	292,055	0	292,055	0.00	0	292,055	0	292,055
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$292,055</b>	<b>\$0</b>	<b>\$292,055</b>	<b>0.00</b>	<b>\$0</b>	<b>\$292,055</b>	<b>\$0</b>	<b>\$292,055</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$293,100</b>					<b>\$273,714</b>

DP 5212 - MPD Private Funds & Audit Adjustments HB0002 - The legislature approved an increase in state special revenue authority to increase national advertising by \$292,055 each year.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	13.00	0.00	0.00	13.00	0.00	0.00	13.00	13.00
Personal Services	625,775	30,057	19,146	674,978	30,600	49,681	706,056	1,381,034
Operating Expenses	409,881	126,169	0	536,050	118,554	0	528,435	1,064,485
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	6,587,183	2,913,105	0	9,500,288	1,240,652	0	7,827,835	17,328,123
<b>Total Costs</b>	<b>\$7,622,839</b>	<b>\$3,069,331</b>	<b>\$19,146</b>	<b>\$10,711,316</b>	<b>\$1,389,806</b>	<b>\$49,681</b>	<b>\$9,062,326</b>	<b>\$19,773,642</b>
General Fund	201,366	18,634	5,986	225,986	18,634	15,357	235,357	461,343
State/Other Special	964,332	1,572,867	11,624	2,548,823	(101,553)	30,321	893,100	3,441,923
Federal Special	6,457,141	1,477,830	1,536	7,936,507	1,472,725	4,003	7,933,869	15,870,376
<b>Total Funds</b>	<b>\$7,622,839</b>	<b>\$3,069,331</b>	<b>\$19,146</b>	<b>\$10,711,316</b>	<b>\$1,389,806</b>	<b>\$49,681</b>	<b>\$9,062,326</b>	<b>\$19,773,642</b>

**Program Description**

The Community Development Division works with federal, state, and local governments, private non-profit organizations, and private citizens, in regard to community needs identification, public facilities planning and financing, housing development for low and moderate income families, neighborhood revitalization, and coal and hard rock mining mitigation, as well as management of projects funded through division programs.

There are two major programs directly administered by the division: The Community Development Block Grant Program (CDBG), and the Treasure State Endowment Program (TSEP). The Montana Coal Board and the Montana Hard Rock Mining Impact Board are also attached to the Community Development Division for administrative purposes. The division provides office facilities, staff, and administrative support for the boards.

Other assisted entities include local planning programs, community development corporations, human resource development councils, water and sewer districts, fire departments, and housing authorities.

**Program Highlights**

Community Development Division Major Budget Highlights	
♦	The legislative budget funds the Coal Board grants from the coal severance tax shared account with a share of the new 8.36 percentage due to the passage of HB 482
♦	The remaining increases in funding are primarily due to grants and administrative cost adjustments

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Community Development Di					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 201,366	2.6%	\$ 225,986	2.1%	\$ 235,357	2.6%
	01100 General Fund	201,366	2.6%	225,986	2.1%	235,357	2.6%
02000	Total State Special Funds	964,332	12.7%	2,548,823	23.8%	893,100	9.9%
	02049 Hard Rock Mining	95,617	1.3%	275,222	2.6%	277,577	3.1%
	02270 Treasure State Endowment	474,573	6.2%	510,674	4.8%	522,956	5.8%
	02340 Coal Sev. Tax Shared Ssr	394,142	5.2%	1,762,927	16.5%	92,567	1.0%
03000	Total Federal Special Funds	6,457,141	84.7%	7,936,507	74.1%	7,933,869	87.5%
	03059 Community Development Block	6,457,141	84.7%	7,936,507	74.1%	7,933,869	87.5%
Grand Total		<u>\$ 7,622,839</u>	<u>100.0%</u>	<u>\$ 10,711,316</u>	<u>100.0%</u>	<u>\$ 9,062,326</u>	<u>100.0%</u>

The four programs within the Community Development Division are funded as follows:

- o Interest earnings from the treasure state endowment fund, a sub-fund within the coal tax trust fund, fund the Treasure State Endowment Program.
- o The Coal Board is funded exclusively from a share of the 8.36 percent coal severance tax shared account. The shared account funds the coal board local impact grants, pass-through funding for conservation districts, a portion of the Growth Through Agriculture Program, and state library services through the State Library Commission.
- o The CDBG program is primarily funded with federal block grant funds, allocated through the US Department of Housing and Urban Development (HUD). The general fund provides a required match for a portion of the administrative costs of the program equal to two percent of the annual CDBG allocation
- o The Hard-Rock Mining Impact Board is funded by a 2.5 percent allocation of the metalliferous mines license tax (MMLT)

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					54,778					55,346
Vacancy Savings					(27,221)					(27,246)
Inflation/Deflation					(2,215)					(2,198)
Fixed Costs					(13,255)					(21,891)
<b>Total Statewide Present Law Adjustments</b>					<b>\$12,087</b>					<b>\$4,011</b>
DP 6003 - CD Grants Adjustment HB0002	0.00	0	1,387,344	1,500,000	2,887,344	0.00	0	(319,992)	1,500,000	1,180,008
DP 6004 - Coal Board Grant Adjustments	0.00	0	(34,883)	0	(34,883)	0.00	0	0	0	0
DP 6013 - CD Administrative Costs Adjustments HB0002	0.00	0	123,606	20,533	144,139	0.00	0	124,130	21,013	145,143
DP 6060 - CD Grants Hard Rock Adjustments HB0002	0.00	0	60,644	0	60,644	0.00	0	60,644	0	60,644
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,536,711</b>	<b>\$1,520,533</b>	<b>\$3,057,244</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$135,218)</b>	<b>\$1,521,013</b>	<b>\$1,385,795</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$3,069,331</b>					<b>\$1,389,806</b>

DP 6003 - CD Grants Adjustment HB0002 - The legislature approved additional federal special revenue authority from the Community Development Block Grants of \$1.5 million each year for new construction grants. Also, the legislature approved a biennial appropriation for the Coal Board for grants to local coal communities of \$1,067,352. Funding for the Coal Board grants comes from the coal severance tax shared account.

DP 6004 - Coal Board Grant Adjustments - The legislature reduced available grants to the Coal Board by \$34,883 over the biennium. Funding for the Coal Board grants comes from the coal severance tax shared account.

DP 6013 - CD Administrative Costs Adjustments HB0002 - The legislature approved an increase in state special and federal special revenue authority for administrative cost increases for the following items:

- o Restoration of per diem of \$2,500 per year
- o Increased consultants and professional services of \$5,000 per year to retain professional architects and engineers
- o Increased travel of \$5,250 for attendance in HUD training for CDBG staff in Washington D.C. and HUD's regional headquarters in Denver, Colorado
- o Increased rent of \$2,451 in FY 2006 and \$3,709 in FY 2007
- o Increased expenditures for agency indirect charges of \$100,000 per year

DP 6060 - CD Grants Hard Rock Adjustments HB0002 - The legislature approved additional state special revenue authority to transfer all money segregated by the county in the hard rock mining impact trust account in excess of \$100,000 to the county for which the funds have been held in deposit, as required in 90-6-331, MCA.

### New Proposals

New Proposals											
Program	FTE	Fiscal 2006				Fiscal 2007				FTE	Total Funds
		General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds		
DP 6010 - 2007 Biennium Pay Plan - HB 447											
60	0.00	5,986	11,624	1,536	19,146	0.00	15,357	30,321	4,003		49,681
<b>Total</b>	<b>0.00</b>	<b>\$5,986</b>	<b>\$11,624</b>	<b>\$1,536</b>	<b>\$19,146</b>	<b>0.00</b>	<b>\$15,357</b>	<b>\$30,321</b>	<b>\$4,003</b>		<b>\$49,681</b>

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

**Program Description**

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. The legislature extended eligible facilities to include community pre-release centers. Cost savings are shared with consumers in the form of lower fees.

The authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

**Proprietary Revenues and Expenses****Revenue Description:**

The Facility Finance Authority is funded entirely by proprietary funds with revenues collected from interest, fees, and charges from participating institutions. There are no direct appropriations provided in HB 2.

**Expense Description:**

The major cost drivers within the Facilities Finance Authority are personal services, operating expenses, grants, and expenditures related to the periodic replacement of computer equipment.

Non-typical and one-time-only expenses, if any, are subtracted from any proposed budgets. Personal services expenditures fund 2.00 FTE and board member per diem.

**Proprietary Rate Explanation**

The Facilities Finance Authority is funded by an enterprise fund and as such the legislature does not set the rates for its operations. Authority customers are outside of state government. The fee structure that is proposed does not materially vary from that proposed in the last session.

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	5.50	0.00	0.00	5.50	0.00	0.00	5.50	5.50
Personal Services	254,825	(107)	7,596	262,314	(668)	19,831	273,988	536,302
Operating Expenses	156,973	33,399	0	190,372	26,476	0	183,449	373,821
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	5,686,775	(245,911)	0	5,440,864	5,765	0	5,692,540	11,133,404
<b>Total Costs</b>	<b>\$6,098,573</b>	<b>(\$212,619)</b>	<b>\$7,596</b>	<b>\$5,893,550</b>	<b>\$31,573</b>	<b>\$19,831</b>	<b>\$6,149,977</b>	<b>\$12,043,527</b>
Federal Special	6,098,573	(212,619)	7,596	5,893,550	31,573	19,831	6,149,977	12,043,527
<b>Total Funds</b>	<b>\$6,098,573</b>	<b>(\$212,619)</b>	<b>\$7,596</b>	<b>\$5,893,550</b>	<b>\$31,573</b>	<b>\$19,831</b>	<b>\$6,149,977</b>	<b>\$12,043,527</b>

### Program Description

The Housing Division established on July 1, 1995, consolidated housing programs within the Department of Commerce into one division. The division includes the Housing and Urban Development (HUD) HOME Investment Partnerships program, the HUD Tenant Based and Project Based Section 8 Housing programs, and the Board of Housing and its programs:

- The HOME program provides grant funds to eligible local government entities and Community Housing Development Organizations for assistance in financing new construction or rehabilitation of individual homes or rental units, tenant based rental assistance, and other eligible activities
- The Section 8 Housing programs provide rental assistance through HUD Section 8 authority, on behalf of low-income families and the elderly
- The Board of Housing is a seven-member, quasi-judicial board appointed by the Governor and administratively attached to the Department of Commerce. The board administers the Low-Income Housing Tax Credit, Multi-Family Loan, Reverse Annuity Mortgage, and Single Family Programs

### Program Highlights

Housing Division Major Budget Highlights	
◆	Decreases in funding are from a coding error in the base year and the corresponding adjustment to anticipated HUD grants
◆	Increases in the budgets are due to statewide pay plan and adjustments to administrative costs for the program

### Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

Program Funding Table						
Housing Division						
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007
03000	Total Federal Special Funds	\$ 6,098,573	100.0%	\$ 5,893,550	100.0%	\$ 6,149,977
	03300 Home Grants	<u>6,098,573</u>	<u>100.0%</u>	<u>5,893,550</u>	<u>100.0%</u>	<u>6,149,977</u>
Grand Total		<u>\$ 6,098,573</u>	<u>100.0%</u>	<u>\$ 5,893,550</u>	<u>100.0%</u>	<u>\$ 6,149,977</u>

Most expenses of this division are funded through non-budgeted enterprise accounts, including the Board of Housing Financial Program, Housing Trust Fund, Affordable Housing Revolving Loan, and Revolving Loan Fund.

HB 2 appropriations support the HOME program by an annual categorical federal grant from HUD. Grant funds are distributed using a competitive process to successful local governments and Community Housing Development Organizations with an allowed amount being held back at the state level to administer the program.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				9,913					9,327
Vacancy Savings				(10,590)					(10,565)
Inflation/Deflation				(169)					(162)
Fixed Costs				(1,133)					(1,403)
<b>Total Statewide Present Law Adjustments</b>				<b>(\$1,979)</b>					<b>(\$2,803)</b>
DP 7405 - HD HOME Federal Grants Adjustment HB0002	0.00	0	0	(245,911)	0.00	0	0	5,765	5,765
DP 7414 - HD Administrative Costs Adjustments HB0002	0.00	0	0	35,271	0.00	0	0	28,611	28,611
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$210,640)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$34,376</b>	<b>\$34,376</b>
<b>Grand Total All Present Law Adjustments</b>				<b>(\$212,619)</b>					<b>\$31,573</b>

DP 7405 - HD HOME Federal Grants Adjustment HB0002 - The legislature approved an adjustment in home grants to correct an expenditure coding error in the base-year and adjust for expected HUD grants. The effect of this correction in FY 2006 is a decrease in grants to local agencies of \$71,179, construction grants of \$142,284, and project administration grants of \$32,448. In FY 2007 the net result of this adjustment are a decrease in grants to local agencies of \$71,179, an increase in construction grants of \$109,392, and a decrease in project administration grants of \$32,448.

DP 7414 - HD Administrative Costs Adjustments HB0002 - The legislature approved additional federal special revenue authority from the Home Grants for the following adjustments:

- Restore base year expenditures for overtime of \$570 a year
- Increase minor equipment computer hardware by \$8,800 in FY 2006 to adjust to a 4-year equipment replacement schedule



- Increase travel costs for attendance in the Application Oriented Design (AOD) software conference of \$1,996 per year
- Increase rent by 2 percent a year due to annual contract obligations of \$920 in FY 2006 and \$1,394 in FY 2007
- Increase agency indirect charges of \$7,000 a year to support the services provided by the Director's Office/Management Services Division
- Add maintenance contracts and yearly licenses of \$18,700 in FY 2006 and \$20,570 in FY 2007 for new AOD software purchased in FY 2004
- Remove moving expenses from the base budget of \$3,000 a year

### New Proposals

New Proposals											
Program	FTE	Fiscal 2006				Fiscal 2007				Federal Special	Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special		
DP 6010 - 2007 Biennium Pay Plan - HB 447											
74	0.00	0	0	7,596	7,596	0.00	0	0	19,831		19,831
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,596</b>	<b>\$7,596</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,831</b>		<b>\$19,831</b>

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

**Proprietary Rates****Program Description**

The Board of Investments invests all state funds in the Unified Investment Program, established under Article VIII, Section 13 of the Montana Constitution. Local governments may invest in the Short-Term Investment Pool. The six investment pools include the Retirement Funds Bond, Trust Funds Bond, Short Term Investment, Montana Domestic Stock, Montana International Equity, and Montana Private Equity.

**Proprietary Revenues and Expenses****Revenue Description:**

Nearly all Bond Program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270-day fund balance is required to provide adequate funding for the Bond Program between draws. Remaining revenues are received monthly from the boards contract with the Montana Facility Finance Authority.

**Expense Description:**

The major cost drivers within the Board of Investments are personal services, operating expenses, and expenditures related to the periodic replacement of computer equipment. There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the division's workload and customer levels will remain constant, although investment portfolios will continue to grow in size. There are currently 34.00 FTE in this program

**Proprietary Rate Explanation**

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level.

For the Board of Investments, the legislature defined "rates" as the total collections necessary to operate the board. The legislature approved "rates" of \$3,203,219 in FY 2006 and \$3,128,734 in FY 2007.

**Proprietary Significant Present Law**

The only present law adjustment for accounting entity 06527 is for administrative costs for overtime, fixed costs, and rent.

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	2.00	(2.00)	0.00	0.00	(2.00)	0.00	0.00	0.00
Personal Services	84,702	(84,702)	648	648	(84,702)	1,599	1,599	2,247
Operating Expenses	94,935	(94,935)	0	0	(94,935)	0	0	0
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	210,496	264,504	0	475,000	264,504	0	475,000	950,000
<b>Total Costs</b>	<b>\$390,133</b>	<b>\$84,867</b>	<b>\$648</b>	<b>\$475,648</b>	<b>\$84,867</b>	<b>\$1,599</b>	<b>\$476,599</b>	<b>\$952,247</b>
Federal Special	390,133	84,867	648	475,648	84,867	1,599	476,599	952,247
<b>Total Funds</b>	<b>\$390,133</b>	<b>\$84,867</b>	<b>\$648</b>	<b>\$475,648</b>	<b>\$84,867</b>	<b>\$1,599</b>	<b>\$476,599</b>	<b>\$952,247</b>

### Program Description

The Director's Office/Management Services Division consists of three programs:

- The Director's Office assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana.
- The Management Services Division provides internal support to all agency divisions, bureaus, and programs. Services provided by the Management Services Division include accounting, budgeting, fiscal management, contracting, purchasing, information technology, human resources, payroll, benefits, and training.
- The Montana Council on Developmental Disabilities is to provide planning that assist Montanans with disabilities to live, work and participate in their communities

### Program Highlights

Director/Management Services	
Major Budget Highlights	
◆	The legislature realigned the Development Disabilities Planning and Advisory Council for oversight and management of services to a non-for-profit agency

### Program Narrative

The 2003 legislative session transferred the Developmental Disabilities Planning and Advisory Council (DDPAC) from the Department of Public Health and Human Services to the Department of Commerce, through HB 734. The legislature added 2.0 FTE and \$830,000 of federal special revenue authority over the 2005 biennium for implementation of HB 734 with the condition the department would be able to contract with a nonprofit corporation for the intended purposes of carrying out the tasks delegated to the DDPAC.

In FY 2005 the department entered into a contract with the Montana Council on Developmental Disabilities (MCDD) as a nonprofit corporation to carry out the responsibilities of DDPAC. DDPAC still remains administratively attached to the Department of Commerce, with the department acting as a go-between for disbursing (pass through) federal funds to the newly created nonprofit under the terms and conditions of the contract.

The DDPAC is the only program within the Director's/Management Services Division funded in HB 2. All program costs associated with this function are shown in the table above. The remainder of the division is funded with a non-budgeted proprietary account.

### Funding

The Montana Council on Developmental Disabilities (DDPAC) is entirely funded with federal special revenues. The Director's Office/Management Services Division is funded by an internal service proprietary fund from indirect costs charged to all agency programs.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006					Fiscal 2007					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				21,896					21,599	
Vacancy Savings				(4,264)					(4,252)	
<b>Total Statewide Present Law Adjustments</b>				<b>\$17,632</b>					<b>\$17,347</b>	
DP 8115 - MSD Administrative Costs/DDPAC Realignment HB0002										
(2.00)	0	0	67,235	67,235	(2.00)	0	0	67,520	67,520	
<b>Total Other Present Law Adjustments</b>										
(2.00)	\$0	\$0	\$67,235	\$67,235	(2.00)	\$0	\$0	\$67,520	\$67,520	
<b>Grand Total All Present Law Adjustments</b>				<b>\$84,867</b>					<b>\$84,867</b>	

DP 8115 - MSD Administrative Costs/DDPAC Realignment HB0002 - The legislature re-aligned the operating plans for DDPAC along with additional federal special revenue authority for the following adjustments:

- Eliminate 2.00 FTE from the DDPAC program of approximately \$102,000 a year and reclassify these personal services costs into benefits and claims account
- Reclassify all operating costs of \$94,935 into a benefits and claims account
- Increase benefits and claims approximately \$67,000 a year

### New Proposals

New Proposals										
Fiscal 2006					Fiscal 2007					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
81	0.00	0	0	648	648	0.00	0	0	1,599	1,599
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$648</b>	<b>\$648</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,599</b>	<b>\$1,599</b>

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

## **Proprietary Rates**

### **Revenues and Expenses**

The Director's Office/Management Services Division; is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the divisions' indirect cost plan. Indirect costs are allocated to supported programs based upon federally, and legislatively approved indirect cost rates applied to actual personal services expenditures.

The revenue objective of the Director's Office/Management Services Division is to maintain the lowest possible indirect charge to supported divisions, bureaus, and programs, while maintaining a nominal working capital reserve. The department has historically used this methodology in calculating indirect rates because the federal government requires the same methodology to be used when charging indirect costs to federally funded programs.

The major cost drivers within the Director's Office/Management Services Division are personal services, operating expenses and expenditures related to the periodic replacement of the agencies computer equipment.

The proposed indirect cost rate will fund 16.50 FTE in the 2007 biennium; the same number as the 2005 biennium.

### **Rate Explanation:**

The legislature approved an indirect cost rate of 13.7 percent in FY 2006 and 13.65 percent in FY 2007. The divisions' indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the division complies with 17-3-111, MCA, which requires agencies to negotiate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the division has requested a rate that may vary slightly from the rate actually negotiated with HUD. The rate approved by the Legislature is considered a cap; therefore, the division cannot negotiate for a rate higher than what has been approved by the Legislature. However, the rate negotiated with HUD may be slightly lower.

The division negotiates an annual rate with HUD. The approved rate is a fixed rate for federally funded programs. This rate is then applied against actual personal services expenditures within the department, not including the Director's Office/ Management Services Division.

The rate negotiated with HUD requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the division under-recovered or over-recovered in a given fiscal year. This computation compares what was originally negotiated to what actually occurred. The difference is then carried forward into the following year's rate.